

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 IO-10 DHA-02 ORM-01 AID-05 OMB-01

TRSE-00 EB-07 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 /095 W

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R 2010001Z AUG 75

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 5864

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMCONSUL JERUSALEM

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEL AVIV

USMISSION USNN NY

C O N F I D E N T I A L BEIRUT 10559

E.O. 11652: GDS

TAGS: PFOR, SREF, UNRWA, XF

SUBJECT: UNRWA ADVISORY COMMISSION (ADCOM) TO MEET SEPT 4

REF: STATE 128117

SUMMARY: ADCOM IS TO BE SUMMONED TO MEET SEPT 4 UNDER JORDANIAN CHAIRMAN TO DISCUSS AND APPROVE COMGEN'S ANNUAL REPORT. IN INFORMAL TALKS WITH EMBOFF AUG 19, SENIOR UNRWA OFFICIALS REPORTED AGENCY'S CY 75 BUDGET HAS NOW BEEN ADJUSTED DOWNWARD SOMEWHAT TO APPROX DOLS 121.6 MIL, LEAVING PAPER DEFICIT FOR YEAR OF DOLS 12 MIL. UNRWA HOPEFUL THAT, EVEN IN ABSENCE ADDITIONAL SPECIAL CONTRIBUTIONS, IT CAN MANAGE THISSDEFICIT BY "TECHNICAL" ECONOMIES AND ADJUSTMENT OF RATIONS ALONE, LEAVING EDUCATION AND HEALTH PROGRAMS UNTOUCHED THROUGH REMAINDER

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OF YEAR. COMGEN, WHO IS CONTINUING EFFORTS WITH OIL-RICH ARAB GULF STATES, EXPRESSED DOUBTS THAT KUWAIT WILL BE ABLE TO MAKE FURTHER DONATION, BUT SEES GOOD CHANCE THAT UAE, AND POSSIBLY QATAR, WILL BE FORTHCOMING IN LIGHT SAUDI GENEROSITY. HE ALREADY CONCERNED, HOWEVER, WITH FINANCING PROBLEMS ANTICIPATED FOR CY 76, WHEN EXPENDITURES PROJECTED AT ABOUT DOLS 133 MIL AND DEFICIT SET TENTATIVELY AT DOLS 50 MIL--EVEN GREATER THAN THAT ORIGINALLY CALCULATED FOR CURRENT YEAR. SLIGHT COMFORT MAY BE DERIVED FROM FACT THAT NEXT YEAR'S BUDGET FORECAST AT ONLY DOLS 11 MIL ABOVE THAT FOR CY 75 (IN CONTRAST TO HUGE INCREASE BETWEEN CY 74 AND CY 75) END SUMMARY.

1. IN COURSE OF CONVERSATIONS AUG 19 WITH UNRWA COMGEN RENNIE AND DEP COMGEN MCELHINEY, EMBOFF WAS INFORMED THAT ROUTINE MEETING OF ADCOM TO CONSIDER AND APPROVE CCOMGEN'S ANNUAL REPORT IS BEING CALLED FOR THURSDAY, SEPT 4. FOR VARIOUS REASONS, ANNUAL REPORT DELAYED THIS YEAR AND AGENCY HEADQUARTERS STAFF BUSILY ENGAGED IN EFFORT TO HAVE REPORT DISTRIBUTED TO ADCOM MEMBERS BY THURSDAY, AUG 21. ARAB HOST GOVTS HAVE BEEN INFORMED OF CALL FOR ADCOM MEETING, AND EGYPTIAN ADCOM REP, AMB SIDQI, WHO IN BEIRUT FOR SEMI-ANNUAL CONCAVE OF HOST GOVT REPS, TELEPHONED RENNIE MORNING AUG 19 TO REQUEST ONE WEEK DELAY. RENNIE TOLD SIDQI THAT DELAY WAS IMPOSSIBLE SINCE REPORT WAS ALREADY LATE AND AGENCY HAD OBLIGATION TO FORWARD REPORT TO UN ASAP. JORDAN HOLDS CHAIRMANSHIP FOR FORTHCOMING MEETING AND COMGEN BELIEVES, BUT HAS NOT BEEN OFFICIALLY INFORMED, THAT AMB SALAH, GOJ AMB TO LEBANON, WILL CHAIR MEETING.

2. WE WILL, OF COURSE, FORWARD COPIES OF COMGEN'S ANNUAL REPORT AS SOON AS RECEIVED. EMBOFF, HOWEVER, HAD OPPORTUNITY DURING HIS VISIT, TO REVIEW BROADLY CURRENT FINANCIAL SITUATION OF UNRWA IN WAKE OF RECENT ADDITIONAL US (DOLS 6 MIL) AND SAUDI (DOLS 10 MIL) CONTRIBUTIONS.

3. ANNUAL REPORT WILL SHHOW ADJUSTED AGENCY BUDGET FOR CY 75 TO BE DOLS 121.6 APPROX AND CURRENT TREND IS SLIGHTLY DOWNWARD TO REFLECT DECLINING WHEAT PRICES. WWITH MOST RECENT ADDITIONAL CONTRIBUTIONS, AGENCY CONTINUES TO FACE DEFICIT OF APPROX DOLS 12 MIL FOR REMAINDER OF YEAR. MCELHINEY FEELS THAT THIS AMOUNT CAN BE SHAVED TO APPROX DOLS 8-9 MIL BY "TECHNICAL" ECONOMIES  
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(I.E., CONTINUING FALL IN WHEAT PRICES, PUTTING OFF PROPOSED CONSTRUCTION AND OTHER NON-RECURRING COSTS, ETC.). AGENCY COMPTROLLER IS CURRENTLY STUDYING INTENSELY VARIOUS PERMUTATIONS WHICH WOULD PERMIT UNRWA TO FINISH OUT CY 75 IN ABSENCE OF ADDITIONAL SPECIAL CONTRIBUTIONS. MCELHINEY POINTS OUT THAT PROJECTED DOLS 12 MIL DEFICIT IS SOMEWHAT OVERSTATED SINCE AGENCY EXPENDITURES PROJECTED ON BASIS DISTRIBUTION OF FULL

FLOUR RATIONS; HE EXPRESSES HOPE THAT UNRWA CAN SQUEEZE THROUGH REMAINING MONTHS OF 1975 BY SOME MANIPULATIONS OF RATIONS IF NECESSARY. AGENCY COULD, THEREFORE, ESCAPE MORE DRASTIC AND IRREPARABLE MEASURES INVOLVED IN CUTTING EITHER EDUCATION OR HEALTH PROGRAMS.

4. COMGEN RENNIE, WHO HAS RECENTLY RETURNED FROM TRIP TO THE GULF, SAID THAT OTHER WEALTHY OIL STATES HAD NOT FOLLOWED SAUDI ARABIA'S LEAD AS EXPEDITIOUSLY AS HE HAD HOPED BUT THAT HE FEELS SOME FURTHER CONTRIBUTIONS FROM THAT QUARTER MAY BE RECEIVED. RENNIE SAID THAT HE HAD HELD A 45 MINUTE TOUR D'HORIZON OF THE AGENCY'S FINANCIAL PROBLEMS WITH KUWAITI FONMIN. FONMIN EXPLAINED DIFFICULTIES KUWAIT HAS WITH PARLIAMENT AND PUBLIC OPINION IN SHIFTING POLICY TOWARD UNRWA FINANCING, AND COMGEN RESIGNED TO POSSIBILITY THAT GOK WILL NOT FIND WAY AROUND THIS OBSTACLE, EVEN IF IT DESIRED MAKE ADDITIONAL CONTRIBUTION. COMGEN SAID HIS CONTACTS WITH UAE OFFICIALS HAMPERED BY THEIR ABSENCE FROM ABU DHABI DURING SUMMER PERIOD, BUT THAT HE NEVERTHELESS ENCOURAGED TO BELIEVE THAT UAEG WILL FOLLOW SAUDI LEAD. EVEN BEFORE THE ANNOUNCEMENT OF THE RECENT SAUDI CONTRIBUTION, RENNIE REPORTS HE HAD INDICATIONS FROM UAE THAT DONATION OF DOLS 3-5 MIL WAS POSSIBLE. FINALLY, COMGEN STATED THAT HE HAD NOT VISITED QATAR DURING HIS RECENT TRAVELS BUT WILL BE CONTACTING QATARI EMBASSY HERE ONCE AMB RETURNS. HIS ONE EFFORT WITH QATARI CHARGE WAS ABANDONED WHEN IT BECAME APPARENT TO RENNIE THAT CHARGE WAS NOT SURE WHICH REFUGEES THEY WERE DISCUSSING.

5. RE REFTTEL, EMBOFF RECEIVED NO RPT NO INDICATION IN AUG 19 CONVERSATION THAT UK HAS INFORMED COMGEN OF DECISION TO PROVIDE ADDITIONAL CONTRIBUTION, PERHAPS PENDING FULL RETURNS FROM WEALTHY ARAB STATES. IT POSSIBLE, HOWEVER, THAT COMGEN HAS BEEN INFORMED IN STRICT CONFIDENCE BY BRITISH EMBASSY HERE AND THIS KNOWLEDGE MAY CONTRIBUTE TO RENNIE'S BELIEF THAT CONFIDENTIAL

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DEFICIT FOR REMAINING MONTHS OF 1975 CAN BE HANDLED WITHOUT TOUCHING EDUCATION AND HEALTH PROGRAMS.

6. AGENCY, DESPITE ITS CONTINUING FINANCIAL DIFFICULTIES WITH REST OF 1975, IS BEGINNING TO FOCUS ON MAGNITUDE OF CY 76 PROBLEM. BUDGET FOR CALENDAR YEAR IS CURRENTLY PROJECTED AT DOLS 132.9N AN INCREASE OF ABOUT DOLS 11 MIL OVER THIS YEAR. BASED ON ANTICIPATED REVENUE NEXT YEAR, UNRWA CCALCULATES ITS DEFICIT FOR 1976 AT ABOUT DOLS 50 MIL.  
GODLEY

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NNN

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